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STATE FOR NEA/ELA, NEA/RA, EB/TPP/ABT
USAID FOR ANE/MEA MCLOUD AND DUNN
USTR FOR SAUMS
TREASURY FOR NUGENT AND HIRSON
COMMERCE FOR 4520/ITA/ANESA/OBERG

E.O. 12958: N/A

TAGS: ECON EAID ETRD EAG EG

SUBJECT: NEGATIVE MEDIA SURROUNDS U.S. WHEAT SHIPMENT

¶1. (U) On May 27, 2007, the vessel Fu Zhou Hai arrived at Damietta Port in Egypt carrying 62,010.19 metric tons of U.S. soft red winter wheat. The cargo was inspected by Egyptian Quarantine authorities, and live insects were found, indicating possible irregularities in the fumigation procedures at Destrehan, Louisiana, the shipment's point of origin. The shipment was accompanied by a letter from an Operations Supervisor of the Federal Grain Inspection Service (FGIS), certifying fumigation was done according to FGIS procedures.

A second letter from the private firm Research Fumigation Company certified that the cargo was fumigated using a gas-based "full recirculation" method of fumigation on May 5 at Destrehan, Louisiana.

¶2. (U) Upon opening the ship's holds, Egyptian inspectors claim to have found fumigation tubes lying on top of the wheat rather than vertically inserted, as would normally be the case. Inspectors also reported not smelling gas residue, which would also normally be the case with a gas-based fumigation method. Two samples were taken by the Egyptian authorities. In the first, taken May 29, five insect species were found, three of which do not exist in Egypt and are categorized as quarantine pests presenting a threat to Egyptian agriculture. The other two species were unidentifiable. In a June 1 inspection, sixteen species were found, eleven of which were recognized quarantine pests, three were pests already existing in Egypt, and two were unidentifiable. Live insects, eggs and larvae were also found. Both inspections found excessive levels of weed seeds as well.

¶3. (U) While Egyptian authorities were considering the disposition of the wheat, stories appeared in local newspapers, some of them alarmist and implying a lack of competence on the part of the General Authority for Supply Commodities (GASC), an element of the Ministry of Trade and Industry which purchased the cargo on an "FOB" basis. Egyptian authorities decided not to re-fumigate the wheat and allow it in, but to re-export the cargo. The company that sold the wheat to GASC offered to purchase it back and re-export it. Agreement was reached on prices but discussion continues over liability for the cargo when it reaches its final destination,

¶4. (SBU) COMMENT: Media coverage has been very negative, at a time when U.S.-Egypt bilateral relations are particularly sensitive. Newspapers have claimed the wheat may be harmful, which is not the case. Reports have emphasized that this is the first time in recent memory that U.S. wheat was not allowed to enter Egypt. Wheat from other sources (e.g., Russia and Ukraine) is routinely rejected, but these rejections receive little or no press attention. The negative media coverage appears intended to discredit the U.S. This is highlighted by the fact that Egyptian officials have not actually rejected the cargo, nor do they intend to enter into arbitration as

provided for in the purchase contract. Rather, the authorities plan to sell the wheat and are prepared to conduct fumigation and certify the process before the vessel leaves Egyptian waters.